

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Pike County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Pike County Clerk had total receipts of \$14,894,682, which was a \$1,981,460 decrease from the prior year. Except for reimbursed expenses in the amount of \$142,104 and fiscal court contributions of \$340,000, the clerk paid 25% of receipts to the Pike County Fiscal Court in the amount of \$356,953. This was an decrease of \$41,104 from the prior year. In addition, disbursements decreased by \$2,186,883.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS.....	3
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS	6
NOTES TO THE FINANCIAL STATEMENTS.....	8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wayne T. Rutherford, Pike County Judge/Executive
Honorable Lillian Pearl Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Pike County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2009. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2010 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Wayne T. Rutherford, Pike County Judge/Executive
Honorable Lillian Pearl Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Pike County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 19, 2010

PIKE COUNTY
LILLIAN PEARL ELLIOTT, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Fees For Services		\$	20,076
Fiscal Court			522,395
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,325,669	
Usage Tax		5,015,072	
Tangible Personal Property Tax		4,889,237	
Other-			
Fish and Game Licenses		13,169	
Marriage Licenses		16,472	
Occupational Licenses		3,784	
Deed Transfer Tax		62,449	
Delinquent Taxes		1,399,212	13,725,064
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		25,968	
Real Estate Mortgages		69,468	
Chattel Mortgages and Financing Statements		130,497	
Bail Bonds		9,177	
Articles of Incorporation		982	
Affordable Housing Trust		55,602	
Powers of Attorney		1,848	
All Other Recordings		98,132	
Charges for Other Services-			
Candidate Filing Fees		1,350	
Postage		22,773	
Copywork		42,164	457,961
Other:			
Refunds and Overpayments		90,486	
Library and Archive Fee		8,661	
2008 Fee Account Balance		61,555	
Miscellaneous		8,332	169,034
Interest Earned			152
Total Revenues			14,894,682

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN PEARL ELLIOTT, COUNTY CLERK
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,718,003

Usage Tax 4,852,220

Tangible Personal Property Tax 1,785,795

Licenses, Taxes, and Fees-

Fish and Game Licenses 12,424

Delinquent Tax 218,563

Legal Process Tax 48,023

Marriage License 1,992

Affordable Housing Trust 72,024 \$ 8,709,044

Payments to Fiscal Court:

Tangible Personal Property Tax 500,835

Delinquent Tax 172,004

Deed Transfer Tax 57,973

Occupational Licenses 3,114

Delinquent Tax - Solid Waste 44,029 777,955

Payments to Other Districts:

Tangible Personal Property Tax 2,412,999

Delinquent Tax 620,904 3,033,903

Payments to Sheriff

14,262

Payments to County Attorney

190,359

Other Charges-

Refunds 97,065

Usage Tax Refunds 13,791

Ad Valorem Refunds 11,244

Printing and Binding 2,212

Conventions and Travel 724

Miscellaneous 7,301 132,337

Total Expenditures

\$ 12,857,860

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
LILLIAN PEARL ELLIOTT, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Net Revenues			\$	2,036,822
Payments to State Treasurer:				
75% Operating Fund	\$	1,552,962	*	
25% County Fund		<u>356,953</u>		<u>1,909,915</u>
Balance Due at Completion of Audit			\$	<u><u>126,907</u></u>

* Includes \$142,104 of reimbursed expenses and fiscal court supplements totaling \$340,000.

PIKE COUNTY
 LILLIAN PEARL ELLIOTT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2009

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2009	\$ 205,694	\$	\$ 205,694
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,552,962		1,552,962
Fees Paid to State - County Funds (25%)		356,953	356,953
Total Funds Available	1,758,656	356,953	2,115,609
<u>Expenditures</u>			
Payments to Pike County Fiscal Court		356,953	356,953
Personnel Services-			
Clerk's Statutory Maximum	95,256		95,256
Clerk's Expense Allowance	3,600		3,600
Clerk's Training Incentive	3,525		3,525
Deputies Salaries	690,455		690,455
Employee Benefits-			
Employer's Share Social Security	57,912		57,912
Employer's Share Retirement	108,612		108,612
Employer's Paid Health Insurance	357,457		357,457
Other Payroll Expenditures	16,828		16,828
Workers Compensation	61,589		61,589
Materials and Supplies-			
Office Supplies	32,159		32,159
Other Charges-			
Books and Journals	12,769		12,769
Postage	11,826		11,826
Freight	10,862		10,862
Computer Maintenance	7,901		7,901
Tax Bill Preparation	45,379		45,379
Telephone	1,462		1,462
Equipment Maintenance	13,867		13,867
Training	1,553		1,553
Miscellaneous	4,729		4,729

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN PEARL ELLIOTT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Auto Expenses-			
Gasoline	\$ 669	\$	\$ 669
Maintenance and Repairs	871		871
Insurance	2,897		2,897
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,542,178	356,953	1,899,131
	<hr/>	<hr/>	<hr/>
Fund Balance - December 31, 2009	\$ 216,478	\$ 0	\$ 216,478
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2009

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grants

- A. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$43,202 during 1995. The County Clerk had a balance of \$1,764 on January 1, 2009. Funds totaling \$1,764 were expended during 2009. The grant was closed out.
- B. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$22,570 during 1999. The County Clerk had a balance of \$448 on January 1, 2009, and the account earned no interest during the year. Funds totaling \$448 were expended during 2009. The grant was closed out.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wayne T. Rutherford, Pike County Judge/Executive
Honorable Lillian Pearl Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Pike County Clerk for the year ended December 31, 2009, and have issued our report thereon dated August 19, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pike County Clerk's financial statements for the year ended December 31, 2009, are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Pike County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

August 19, 2010

